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FISCAL IMPACT REPORT

ORIGINAL DATE 2/7/07

SPONSOR Williams LAST UPDATED _____ HB 886

SHORT TITLE Racetrack Gaming Revenue Distribution SB _____

ANALYST Schardin

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY07	FY08	FY09		
	(2,661.1)	(2,729.9)	Recurring	General Fund
	\$2,661.1	\$2,729.9	Recurring	Local Governments

(Parenthesis () Indicate Revenue Decreases)

Conflicts with SB 247, HB 593, SB 185, SB 636

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)

Gaming Control Board (GCB)

Department of Finance and Administration (DFA)

SUMMARY

Synopsis of Bill

House Bill 886 creates a distribution to each municipality in which a racetrack casino is located in the amount of 4 percent of net gaming excise tax receipts in FY08 through FY17. If a racetrack is located within a municipality's boundaries the distribution from that racetrack's net receipts will go to that municipality, but if a racetrack is located in an unincorporated area of a county the distribution will go to that county.

Municipal gaming excise tax distributions will be restricted for use to acquire, construct or improve local government infrastructure or to provide police or fire protection services.

The effective date of these provisions will be July 1, 2007.

FISCAL IMPLICATIONS

The LFC expects gaming excise revenue paid by New Mexico's five racetrack operators to total \$66.5 million in FY08, \$68.2 million in FY09, and \$70.0 million in FY10. The bill would distribute 4 percent of these amounts, or \$2,661.1 thousand in FY08, to the five municipalities in which racetrack gaming operators are located. This amount is estimated to be distributed as follows in FY08: \$1,279.3 thousand to Sunland Park, \$208.1 thousand to Albuquerque, \$123.1 thousand to Ruidoso Downs, \$335.8 thousand to Farmington, and \$714.7 thousand to Hobbs.

SIGNIFICANT ISSUES

Currently, New Mexico has five racetrack casinos, all of which are located in municipalities: Sunland Park in Sunland Park; Albuquerque Downs in Albuquerque, Ruidoso Downs in Ruidoso Downs, Sun Ray in Farmington, and Zia Park in Hobbs.

Local governments in which racetrack casinos are located have often requested distributions from the state share of gaming excise tax in recent years. The rationale for these requests is that casinos cause local governments to incur infrastructure costs. Unlike most other businesses, which pay a share of gross receipts tax to the local jurisdictions in which they are located, racetrack casinos pay only the gaming excise tax.

During the 2005 Legislative Session, Senate Bill 837 increased the gaming excise tax rate on racetrack casinos from 25 to 26 percent.

ADMINISTRATIVE IMPLICATIONS

The bill will cause a moderate fiscal impact on TRD. TRD will need to change gaming tax forms and instructions. Computer systems will have to be modified. There will also be a need for greater coordination between TRD and the Gaming Control Board.

RELATIONSHIP

House Bill 886 conflicts with Senate Bill 185, Senate Bill 247, House Bill 593, and Senate Bill 636, which all amend the same section. Senate Bill 185 creates a phased-in distribution of gaming excise revenues to municipalities. Senate Bill 247 and House Bill 593 would distribute 4 percent of gaming excise tax collections from Sunland Park racetrack casino to the municipality of Sunland Park. Senate Bill 636 creates a lower gaming excise tax rate for Ruidoso Downs.

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